

## Message Text

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ACTION EB-08

INFO OCT-01 ARA-10 ISO-00 FEA-01 AGRE-00 CEA-01  
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/094 W

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R 062110Z APR 77  
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TO SECSTATE WASHDC 878  
INFO AMCONSUL MEDELLIN  
AMCONSUL CALI  
AMCONSUL BARRANQUILLA

UNCLAS BOGOTA 3208

E.O. 11652: N/A  
TAGS: ETRD, CO  
SUBJECT: GSP FIRST YEAR REVIEW

REF: STATE 067507

1. ONE YEAR AFTER THE U.S. GENERALIZED SYSTEM OF PREFERENCES (GSP) WENT INTO EFFECT, LOCAL COLOMBIAN EXPORTERS STILL ARE NOT UTILIZING THE SYSTEM TO A SIGNIFICANT EXTENT. ACCORDING TO THE COLOMBIAN INSTITUTE OF FOREIGN TRADE (INCOMEX), DURING THE FIRST NINE MONTHS OF 1976, COLOMBIA EXPORTED TO THE UNITED STATES UNDER THE GSP ONLY 3.64 PERCENT OF THE TOTAL EXPORTS WHICH ACTUALLY QUALIFIED FOR GSP TREATMENT. ALSO IN 1976, COLOMBIA TOOK ADVANTAGE OF THE EUROPEAN COMMUNITY GSP TO A MUCH LARGER EXTENT THAN THE U.S. SYSTEM. 21.3 PERCENT OF ALL DUTY-FREE EXPORTS TO GSP-GRANTING COUNTRIES WENT TO THE UNITED STATES, WHILE 55.1 PERCENT WERE SHIPPED TO THE EUROPEAN COMMUNITY. THIS IS ESPECIALLY SIGNIFICANT SINCE THE U.S. IS THE LARGEST SINGLE-COUNTRY MARKET FOR COLOMBIAN EXPORTS. IN 1975, THE UNITED STATES PURCHASED  
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27 PERCENT OF ALL COLOMBIAN EXPORTS WHILE THE NINE NATIONS OF THE EUROPEAN COMMUNITY ACCOUNTED FOR 28 PERCENT. THIS LOW UTILIZATION RATE IS PRIMARILY CAUSED BY THE NUMBER OF EXPORTERS WHO ARE UNAWARE OF THE GSP OR DO NOT KNOW HOW TO TAKE ADVANTAGE OF IT. THE GOC AND U.S.EMBASSY HAVE AGGRESSIVE PROGRAMS TO INFORM EXPORTERS ABOUT THE SYSTEM, AND SLOWLY MORE BUSINESSMEN

WILL BEGIN TO USE IT.

2. THE GOVERNMENT OF COLOMBIA AS WELL AS LOCAL EXPORTERS BELIEVE THAT THE U.S. GSP HAS BEEN BENEFICIAL AND WILL CONSTITUTE A STRONG STIMULUS TO COLOMBIAN EXPORTS IN FUTURE YEARS. HOWEVER IT IS DIFFICULT TO QUANTIFY THE EFFECT OF THE GSP ON: COLOMBIAN EXPORTS TO THE U.S.; PATTERN AND DIRECTION OF TRADE; NON-TRADITIONAL EXPORTS; THE COLOMBIAN ECONOMY; AND U.S. EXPORTS TO COLOMBIA. ONE YEAR OF USAGE OF THE U.S. SCHEME DOES NOT PROVIDE A LARGE ENOUGH STATISTICAL SAMPLE TO EVALUATE EFFECTS OF THE GSP. SECONDLY, THE INCREASE OF GSP- ELIGIBLE EXPORTS ALSO WAS AFFECTED SIGNIFICANTLY BY THE DEVALUATION OF THE PESO, THE RATES OF INFLATION IN THE UNITED STATES AND COLOMBIA, INCREASES IN TRANSPORTATION COSTS, ETC.

3. WHILE THE GOC CONSIDERS THE US GSP TO BE A STEP FORWARD IN LIBERALIZING TRADE WHICH WILL BENEFIT DEVELOPING COUNTRIES, THEY ALSO BELIEVE THAT THE GSP HAS BEEN TOO LIMITED AND HAMPERED BY SEVERAL STRUCTURAL PROBLEMS. AMONG THE SPECIFIC PROBLEMS AND SHORTCOMINGS WHICH THE GOC ENCOUNTERED DURING THE FIRST YEAR OF OPERATION ARE:

A. PRODUCTS NOT INCLUDED IN THE GSP. THE GOC BELIEVES THAT CERTAIN PRODUCTS WHICH ARE IMPORTANT TO THE COLOMBIAN ECONOMY SHOULD BE INCLUDED IN THE U.S. LIST E.G., TEXTILES, SUGAR, CERTAIN LEATHER ITEMS, CUT FLOWERS, TOBACCO, ETC.

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B. SAFEGUARD CLAUSES. THE GOC CONSIDERS THAT SAFEGUARD CLAUSES CREATE AN UNCERTAINTY AND INSTABILITY FOR EXPORTERS WHO WOULD OTHERWISE BE ABLE TO TAKE ADVANTAGE OF THE U.S. SCHEME AND THUS PRECLUDES A GREATER UTILIZATION OF THE SYSTEM. GOC OFFICIALS POINT OUT THIS UNCERTAINTY WHETHER ANY SPECIFIC PRODUCT WILL BE ON THE GSP LIST FROM ONE YEAR TO THE NEXT AS THE PRINCIPAL REASON WHY NO NEW INVESTMENT HAS BEEN MADE YET IN COLOMBIA TO TAKE ADVANTAGE OF THE GSP.

C. RULES OF ORIGIN. WHILE THE 35 PERCENT LOCAL INPUT REQUIREMENT AND DIRECT SHIPPING RULES PRESENT NO REAL OBSTACLE TO UTILIZATION OF THE SYSTEM, CERTAIN TECHNICAL AND PROCEDURAL PROBLEMS CONCERNING THE CERTIFICATE OF ORIGIN FORM A HAVE CREATED DIFFICULTIES. FOR EXAMPLE, CERTAIN U.S. CUSTOMS OFFICES REQUIRED AN INCOMEX SEAL ON THE ADDENDUM, WHILE ANOTHER CUSTOMS OFFICE ASKED FOR AN ORIGINAL COPY OF THE ADDENDUM. NEITHER OF THESE WERE IN FACT REQUIRED BY U.S. LAW. ALSO, THE MEANING OF "Y" ON THE CERTIFICATE OF ORIGIN FOR THE U.S. AND

CANADIAN SCHEMES ARE COMPLETELY DIFFERENT AND HAVE CAUSED MISUNDERSTANDINGS AND PROBLEMS FOR COLOMBIAN EXPORTERS. THESE TECHNICAL PROBLEMS WILL PROBABLY BE RESOLVED BY UNCTAD OF THROUGH GREATER FAMILIARITY WITH THE SYSTEM. MORE IMPORTANT IS THE STRUCTURAL PROBLEM PRESENTED BY THE CUMULATIVE ORIGIN REQUIREMENT OF 50 PERCENT LOCAL INPUT WHICH THE GOC FEELS WILL PREJUDICE ANY PROGRESS TOWARDS INTER-ANDEAN PACT INDUSTRIALIZATION PROGRAMS.

4. THE EMBASSY BELIEVES THAT ONE OF THE MOST SERIOUS PROBLEMS IN THE SYSTEM IS THE LACK OF PARTICIPATION BY COLOMBIA AND OTHER LATIN COUNTRIES IN THE PUBLIC AUDIENCES IN WASHINGTON WHERE PROPOSED CHANGES TO THE GSP ARE DISCUSSED. ALTHOUGH THE GOC HAS PRESENTED LISTS OF PRODUCTS WHICH THEY WISH INCLUDED IN THE GSP TO THE EMBASSY AND THE DEPARTMENT IN WASHINGTON,  
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NO FORMAL TESTIMONY BY GOC OFFICIALS HAS BEEN MADE DURING THESE MEETINGS. THIS IS PRIMARILY DUE TO THE FACT THAT GOC OFFICIALS FEAR THAT A FORMAL PRESENTATION IN THESE AUDIENCES THROUGH DIPLOMATIC CHANNELS WOULD CAUSE A LOSS OF FACE TO THE COLOMBIANS IF THE PETITION WAS NOT APPROVED. GOC OFFICIALS INDICATED THAT THEY WOULD CONTINUE SUBMITTING LISTS OF "PRODUCTS OF INTEREST" AND WOULD WELCOME TESTIMONY BY U.S. IMPORTERS ON THEIR BEHALF, BUT THEY WOULD NOT TESTIFY FORMALLY.

5. AS SOON AS EMBASSY RECEIVES FIRST YEAR GSP STATISTICS FROM WASHINGTON, THESE FIGURES WILL BE COMPARED WITH COLOMBIAN STATISTICS TO DETERMINE POSSIBLE DISCREPANCIES.

6. A COPY OF "COLOMBIA'S EXPERIENCE WITH THE GSP" WRITTEN BY INCOMEX FOR THE UNCTAD GSP CONFERENCE RECENTLY HELD IN BOGOTA HAS BEEN FORWARDED TO THE DEPARTMENT BY POUCH.  
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## Message Attributes

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